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DEPT PASS TO USTR FOR SOUTH ASIA - CLILIENTFELD/AADLER  
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SUBJECT: U/S BURNS AND AHLUWALIA CHART NEXT STEPS IN THE BILATERAL  
ECONOMIC AGENDA

11. (SBU) Summary: Under Secretary of State for Political Affairs William Burns met with Planning Commission Deputy Chairman, and close economic adviser to the Prime Minister, Montek Singh Ahluwalia on June 11 to discuss proposals for moving the economic relationship forward. They focused on ways to expand collaboration in the areas of education, agriculture, and renewable energy. Ahluwalia suggested that education have its own separate forum, while agriculture be placed within the CEO Forum for maximum private sector participation. He encouraged more US participation in India's renewable energy sector, especially solar electricity. Burns and Ahluwalia reaffirmed the value of the CEO Forum and how to reconstitute it to enable broader and deeper bilateral ties. They looked to the September G-20 meeting to contain protectionism and considered how to re-start Doha Round talks and move on bilateral investment negotiations. End summary.  
Strengthening the Relationship  
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12. (SBU) Under Secretary of State for Political Affairs William Burns met with Planning Commission Deputy Chairman Montek Singh Ahluwalia to gain his perspective on re-engaging on the bilateral economic agenda. Under Secretary Burns first refuted claims that the US was not focused on India, noting that President Obama's administration had enormous enthusiasm for strengthening the structure of the relationship and building on what has already been accomplished. Ahluwalia immediately assured Burns that his government was confident of the US's engagement with India and that the Prime Minister's positive views towards the bilateral relationship were in no way diminished. What has changed, Ahluwalia opined, was the external economic environment, which required broadened areas of economic engagement.  
Education Excellence Through Collaboration  
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13. (SBU) Ahluwalia raised education as a particular area for enhanced collaboration between India and the US. He stated that the two governments had started some initial discussions under the CEO Forum, but Ahluwalia said his impression from the new Human Resource Development (HRD) Minister Kapil Sibal was that Sibal wanted to rewrite the bilateral agenda on education to focus on three areas: expansion, inclusion and excellence. The Deputy Chairman said that expansion and inclusion were already being implemented, but that raising the quality of education was going to be the "tough part." At least part of the solution lie in promoting Indian universities which offer a global experience through some use of visiting faculty, joint programs, or "twinning". (Note: Ahluwalia has

previously described this to American officials as a relationship between an Indian and American university where students from either institution spend one year at each university. End note.)

14. (SBU) Ahluwalia suggested the best way to move forward on education was to have a separate bilateral forum on education, which Under Secretary Burns noted was floated by HRD Minister Kapil Sibal as well. Ahluwalia stated he had been in contact with US faculty of Indian origin, who are interested in pursuing new types of collaboration with Indian universities. But, Ahluwalia cautioned, there is a lack of clarity about which among a "multiplicity of models" would be best for US and Indian universities. Burns told Ahluwalia that Sibal had mentioned certain legislative changes that were required (Sibal meeting covered septel). Hazzarding that he was perhaps talking out of turn, Ahluwalia asserted that he was not very happy with the Foreign University Bill and did not think that legislative changes were needed (Note: The draft Bill would allow foreign campuses in India. End note.) To move forward, Ahluwalia suggested that a new bilateral forum identify 8-9 different educational collaboration models and then determine where US and Indian interest was strongest. His impression was that American universities do not want to set up entire campuses, but rather facilities where they could take 30-40 students for a semester. Under Secretary Burns observed that some US universities in recent years have set up in different countries, but Ahluwalia replied that such models would not work in India because they are funded by the host country, which in India would be perceived as preferential to the foreign university. Categorically, Ahluwalia stated that the "Dubai model" would not work. Burns returned to the creation of a forum to explore the potential and agreed with Ahluwalia's suggestion that it be a standalone forum, rather than a part of the CEO Forum or other dialogue.

#### CEO Forum Useful, Needs New Members

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15. (SBU) Turning to the CEO Forum, Ahluwalia noted that President Obama and Prime Minister Singh had agreed to continue it. Ahluwalia described the Forum as very useful, where both US and Indian government interests were "consensually" served. However, the Deputy Chairman told Under Secretary Burns that he thought it should be reconstituted to move away from the original "finance heavy" membership and had told Larry Summers this as well. Ahluwalia suggested that perhaps during Secretary Clinton's planned visit to India, she could announce the new membership of the CEO Forum. He recommended companies that had investments in India, as well as those in the technology and energy sectors.

#### Working Together on Renewable Energy and Agriculture

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16. (SBU) Under Secretary Burns next explained that Secretary Clinton wanted to unveil new areas of engagement and suggested education and agriculture. Ahluwalia agreed to both, but also suggested that renewable energy could be another subject for collaboration. He stated that his government had developed an Action Plan for Climate Change that would set out domestic goals independent of deliberations in international fora. While many of the relevant issues are addressed under the Energy Dialogue, Ahluwalia suggested that the two countries re-examine possibilities for joint research, especially in solar technology. The Deputy Chair noted that the Clinton Foundation was working with the state governments of Gujarat and Rajasthan on large solar thermal power stations. For its part, the central government was devising a National Solar Plan that would incorporate a declining subsidy in the belief that new technologies would lower costs over time. Ahluwalia urged that US industry be encouraged to partner with companies in India to build a solar industry. Assistant Secretary Blake noted that the recent stimulus package and proposed budget included strong incentives for the development of solar technologies.

17. (SBU) Turning to agriculture, Ahluwalia frankly observed that was one area of bilateral engagement that had not worked well, save the scholarships and faculty exchanges, which he praised and encouraged further expansion. He saw the current structure as limited to where Indian government institutions engaged American

universities, but where a critical commercial element was lacking. Assistant Secretary Blake informed Ahluwalia that several US private sector companies had expressed interest in such commercial endeavors. Ahluwalia welcomed that, stating that the US private sector needed to be matched with Indian private sector companies. The difficulty, Ahluwalia perceived, was that the entry of private companies into Indian agriculture was very nascent, but still the need was obvious for development of private sector cold chain systems, food processing and seed production. The Planning Commission Deputy underlined that the agriculture research is still important, but it cannot be the lead in this joint effort on agriculture. He suggested that an agriculture subgroup be made part of the CEO Forum, where the private sector could lead it.

#### Global Economy and Trade

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¶8. (SBU) Burns then asked for Ahluwalia's assessment of the global economy. He started by identifying "the good news": the world's economic managers have averted catastrophe and the global economy is not falling off a cliff and may even turnaround in the second half of 2009. However, he perceived continuing uncertainty about when and how much recovery would take place over the next few years. For India's growth, he said they had achieved 6.7% for their last fiscal year, which was better than other countries, but below India's recent 9% growth. With the proper stimulus, he maintained that India could hit 7% growth in the coming year. What was important to consider, Ahluwalia continued, was whether countries' growth was constrained by external demand factors or by supply factors. It is a problem for developing countries if their growth has been driven by external demand, for the global economy will only recover to modest growth rates and thus subdued consumer demand. For India, he perceived a supply constraint that could be addressed through

increasing productivity, skill training and literacy, and boosted by India's high savings rate.

¶9. (SBU) Ahluwalia warned, however, that global economic recovery is predicated on the G-20 containing protectionism. He asserted that for India to remain open to trade, others must do so as well. Under Secretary Burns agreed that protectionism was a critical issue and expected that countering it would be a continuing theme at the G-20 talks in September. He then asked Ahluwalia what he thought of the fate of the Doha Trade Round. Ahluwalia claimed that the global trade talks needed to be restarted as a signal on global openness, to which Burns agreed. Ahluwalia opined that India has been "bad mouthed" in the US for its stance in the WTO, while the degree to which the gap between the different positions has been narrowed has been overlooked. The Deputy Chairman suggested that the talks be restarted with emphasis on how much the gap between differences has been narrowed. He also suggested that if President Obama could obtain Trade Promotion Authority, that would be a significant sign to the Doha participants of the US' commitment to resolution.

¶10. (SBU) Finally, Ahluwalia asked about the status of proposed investment treaty negotiations. When told that US proposed dates were awaiting Indian confirmation, Ahluwalia offered his sense of the main difference in the two countries' approaches. For India, he said that it would be difficult to accept the US requirement of national treatment of firms prior to entry, since currently India provides only post-entry national treatment. His understanding is that the US has suggested that it be done on an exclusion basis that explicitly sets aside certain sectors from the requirement, but Ahluwalia worries that if India concedes to this, then other countries will ask for the same treatment. That would effectively get rid of caps in foreign investment in various sectors, which will be difficult to do. Under Secretary Burns closed the meeting by welcoming the start of negotiations as another good signal of substantive economic engagement between India and the US.

¶11. (U) Participants: Under Secretary of State William Burns, Charge Peter Burleigh, Assistant Secretary for South and Central Asia Robert Blake, Dr. Derek Chollet - Principal Director, Policy Planning Office, Department of State, P Special Assistant Tom West, Planning Commission Deputy Chairman Montek Singh Ahluwalia, Ministry of External Affairs Joint Secretary (Americas) Gaitri Kumar, and Econoff (notetaker).

¶12. (U) Under Secretary Burns' office cleared this cable.

